

**VILLAGE OF WALKERVILLE
OCEANA COUNTY**

**FINANCIAL STATEMENTS
FEBRUARY 29, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

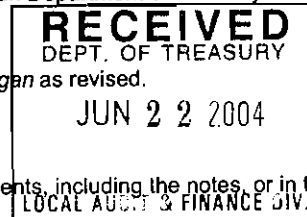
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Walkerville	County Oceana
Audit Date 2/29/04	Opinion Date 6/6/04	Date Accountant Report Submitted to State: 6/18/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 West Main Street	City Fremont	State MI	ZIP 49412
Accountant Signature <i>Jodi DeKuijper, CPA</i>		Date 6/18/04	

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Hendon & Slate, P.C.

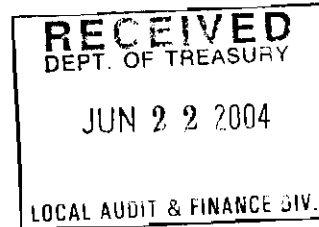
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



June 15, 2004

Council Members
Village of Walkerville
Walkerville, Michigan

Dear Council Members:



In connection with our audit of the Village of Walkerville as of and for the year ended February 29, 2004, we offer the following comments and recommendations.

Budgeting

As in the past, the Village is appropriately adopting a budget for the fiscal year. This year we only noted one significant item which was not properly budgeted for during the year. The loan proceeds and related capital outlay for the police cruiser purchased during 2003-2004. We would like to remind the Council that all items received by the Village as well as all items purchased during the year are required to be included in the budget during the year.

Deficit

The Village has accumulated a retained earnings deficit in the Sewer Restricted Proprietary Fund of \$14,081. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended in a deficit condition. This plan should be completed as soon as possible and should include a five-year budget showing the reduction of the deficits. During the current year the deficit was increased by \$2,239. In future years, the Village should continue the previous goal of decreasing the deficit each year as outlined in the deficit elimination plan.

Debt for Police Car

As indicated in the notes to the financial statements, the Village obtained a note to finance the purchase of a police car without receiving Department of Treasury approval for this type of debt. Since the Village has already received this debt, the financial statements properly reflect the necessary reporting necessary for a long term obligation, however, the Village should be aware with future such debt that the State may need to be contacted for prior approval. There are a few exceptions for fire trucks and certain third party contracts. If there are any questions regarding these requirements, feel free to contact our office for these exceptions or other guidance.

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Rental Inspector

While performing the audit, we noted that the Council approved a new inspector for rentals. However, we did not see that the expenses related to this individual have been properly accounted for on the books of the Village. The minutes indicated that the inspector will keep 75% of the fees (remitting 25% to the Village). Just a reminder that these fees are being collected on behalf of the Village, therefore, the Village should be accounting for 100% of the fees collected. The 75% remitted to the Inspector should be recorded as an expense.

This also brings up the need for this individual to be reported as an employee or a contractor (reported on Form W2 or Form 1099). Any time that a current employee is being paid for additional services, that person is probably an employee in both cases and the wages should be reported on the Form W2 (and the Form 941, quarterly). I am enclosing IRS Guidance on this matter. Feel free to contact me if you have further questions regarding this issue.

Assessments

During the year ended February 28, 1997, the Village started to collect an additional \$1.40 per unit per month for debt service. We noted that this amount was appropriately transferred to the Sewer Restricted Fund since it is for the reduction of debt. As of February 29, 2004 the following was the position of the Council in relation to the amount available and to be provided for the cancellation of long-term debt and interest.

<u>Assets to Repay Loan and Interest</u>		<u>Loan Balance at 02/29/04</u>	
Cash Set Aside for Debt Repayment	\$ 104,214	Note Payable	\$ 203,762
Interest to be Collected on Cash Balance		Interest Payable	<u>99,900</u>
Invested	16,371		
Special Assessments Receivable	89,501	Total Due to RECD	<u>\$ 303,662</u>
Amount to be paid from General Fund	756		
Interest to be Collected on Special Assessments	87,822	Assets	\$ 326,422
Additional Collect. (\$1.40/Unit per Mo)	<u>27,758</u>	Total Due	<u>303,662</u>
Assets for Repayment	<u>\$ 326,422</u>	Excess Assets	<u>\$ 22,760</u>

We believe the Council should be commended again this year for its efforts in solving the problems with the Sewer Assessments accounting system and in appropriately tracking funds collected for debt service. We recommend that the Council continue to stay informed of this situation and be prepared for changes in the estimates.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

Once again I would like to remind the Council of the up-coming changes prescribed by the Governmental Accounting Standards Board. As I indicated last year, this is the last time the financial statements will look like they have for many years. GASB 34 will not effect much regarding the regular bookkeeping for the Village transactions, however, the financial statements will have many changes. The most significant change will be the report which will include the

Village's fixed assets and infrastructure at original purchase less depreciation. The fund financial statements will continue to be presented as well, however, the columns presented will change to the general fund and other "major" funds and a summary reconciliation will be required to identify the differences between the government-wide and fund reports. In addition, a Management's Discussion and Analysis (MD&A) will be required. The MD&A will include analysis and descriptions of significant changes over prior years, condensed presentation of current and prior year financial information and other descriptions of facts, conditions, or decisions which management expects did or will have a significant effect on the financial statements. This statement also prescribes the Required Supplementary Information (RSI) to include budgetary comparison schedules (as currently prescribed by the State of Michigan), however, with the addition of the originally adopted budget (as well as the final amended budget).

In addition to providing us with the fixed assets as of the beginning and end of the year (as already being provided by the Village), the Council will need to provide the Original and Final Amended Budgets and the MD&A. If assistance is necessary, we will be happy to assist with the MD&A as well. I am enclosing the State of Michigan example of the MD&A for you to review prior to next year's audit.

This report is intended solely for the information and use of the Village of Walkerville management, the Council Members, the State of Michigan, and USDA, Rural Department and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended to us during our audit. We are available year-round to assist in the implementation of any of the recommendations set forth in this letter or to answer any questions regarding the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jodi DeKuiper, CPA".

Jodi DeKuiper, CPA
Hendon & Slate, P.C.

VILLAGE OF WALKERVILLE

List of Principal Individuals

Jerry Frick	President
Eva Amstutz	Treasurer
Shirley Pearson	Clerk/Assessor
Ernest Gilbert, Jr.	Trustee
Mary Johnson	Trustee
Jay Conklin	Trustee
Faye Davidson	Trustee
Ernest Gilbert, Sr.	Trustee
Valerie Aiken	Trustee

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Independent Auditor's Report

Village of Walkerville
Council Members
Walkerville, Michigan 49459

We have audited the general purpose financial statements of the Village of Walkerville, Oceana County, Michigan, as of February 29, 2004 and for the year then ended as listed on the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States and with the standards prescribed by the state treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Walkerville, Oceana County, Michigan, at February 29, 2004 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of any state department or agency.

In accordance with "Government Auditing Standards," we have also issued our report dated June 6, 2004, on our consideration of the Village of Walkerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
June 6, 2004

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VILLAGE OF WALKERVILLE

Combined Balance Sheet - All Fund Types and Account Groups February 29, 2004

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Total (Memo Only)
	General	Special Revenue	Enterprise Funds	General Long-Term Debt	General Fixed Assets	
ASSETS AND OTHER DEBITS						
Cash	\$ 48,855	\$ 5,360	\$ 13,617	\$ -	\$ -	\$ 67,832
Taxes Receivable	9,974	-	89,501	-	-	97,475
Due from Other Funds	15	1,296	5,969	-	-	7,280
Accounts Receivable	4,913	6,118	8,453	-	-	19,484
Prepaid Expenses	-	-	125	-	-	125
Restricted Cash	-	-	104,214	-	-	104,214
Amount to be Provided for Debt Service	-	-	-	46,818	-	46,818
Land, Buildings and Equipment	-	-	790,357	-	430,759	1,221,116
Less Accumulated Depreciation	-	-	(332,845)	-	-	(332,845)
Total Assets and Other Debits	<u>\$ 63,757</u>	<u>\$ 12,774</u>	<u>\$ 679,391</u>	<u>\$ 46,818</u>	<u>\$ 430,759</u>	<u>\$ 1,233,499</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
Liabilities	\$ 1,840	\$ -	\$ 660	\$ -	\$ -	\$ 2,500
Accounts Payable	3,084	15	4,181	-	-	7,280
Due to Other Funds	-	-	203,762	46,818	-	250,580
Notes Payable	4,974	116	251	-	-	5,341
Wages Payable	-	-	6,180	-	-	6,180
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	9,898	131	215,034	46,818	-	271,881
Fund Equity and Other Credits	-	-	-	-	430,759	430,759
Investment in General Fixed Assets	-	-	434,181	-	-	434,181
Contributed Capital	-	-	30,176	-	-	30,176
Retained Earnings	-	-	-	-	-	-
Fund Balance	<u>53,859</u>	<u>12,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,502</u>
Total Fund Equity and Other Credits	<u>53,859</u>	<u>12,643</u>	<u>464,357</u>	<u>-</u>	<u>430,759</u>	<u>961,618</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 63,757</u>	<u>\$ 12,774</u>	<u>\$ 679,391</u>	<u>\$ 46,818</u>	<u>\$ 430,759</u>	<u>\$ 1,233,499</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF WALKERVILLE

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types For the Year Ended February 29, 2004

	General Fund	Special Revenue Fund	Total (Memo Only)
Revenues			
Taxes	\$ 37,444	\$ -	\$ 37,444
State Shared Revenue and Other Grants	29,790	42,900	72,690
Charges for Services	150	-	150
Interest and Rentals	23,046	274	23,320
Other Revenue	<u>5,226</u>	<u>-</u>	<u>5,226</u>
Total Revenues	95,656	43,174	138,830
Expenditures			
Legislative	20,917	-	20,917
General Government	16,641	-	16,641
Public Safety	30,544	-	30,544
Public Works	19,811	44,636	64,447
Recreation and Culture	5,671	-	5,671
Debt Service	219	7,240	7,459
Unallocated	3,801	-	3,801
Other Functions	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Expenditures	<u>98,604</u>	<u>51,876</u>	<u>150,480</u>
Excess Revenues Over (Under) Expenditures	(2,948)	(8,702)	(11,650)
Other Financing Sources (Uses)			
Operating Transfers In	-	10,158	10,158
Operating Transfers Out	(10,158)	-	(10,158)
Proceeds from Long-Term Debt	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total Other Financing Sources (Uses)	<u>1,842</u>	<u>10,158</u>	<u>12,000</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,106)	1,456	350
Fund Balance - Beginning of Year	<u>54,965</u>	<u>11,187</u>	<u>66,152</u>
Fund Balance - End of Year	<u>\$ 53,859</u>	<u>\$ 12,643</u>	<u>\$ 66,502</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF WALKERVILLE

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General and Special Revenue Funds For the Year Ended February 29, 2004

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 40,000	\$ 37,444	\$ (2,556)
State Shared Revenue and Other Grants	30,000	29,790	(210)
Charges for Services	200	150	(50)
Interest and Rentals	500	23,046	22,546
Other Revenue	<u>3,835</u>	<u>5,226</u>	<u>1,391</u>
Total Revenues	74,535	95,656	21,121
Expenditures			
Legislative	21,815	20,917	898
General Government	16,720	16,641	79
Public Safety	18,106	30,544	(12,438)
Public Works	20,249	19,811	438
Recreation and Culture	5,671	5,671	-
Debt Service	219	219	-
Unallocated	5,064	3,801	1,263
Other Functions	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Expenditures	<u>88,844</u>	<u>98,604</u>	<u>(9,760)</u>
Excess Revenues Over (Under) Expenditures	(14,309)	(2,948)	(11,361)
Other Financing Sources (Uses)			
Operating Transfers In	49,000	-	(49,000)
Operating Transfers Out	(34,691)	(10,158)	24,533
Proceeds from Long-Term Debt	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Total Other Financing Sources (Uses)	<u>14,309</u>	<u>1,842</u>	<u>(12,467)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	(1,106)	<u>\$ (1,106)</u>
Fund Balance - Beginning of Year		<u>54,965</u>	
Fund Balance - End of Year		<u>\$ 53,859</u>	

The Notes to the Financial Statements are an integral part of this statement.

<u>Special Revenue Funds</u>			<u>Total (Memo Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ 40,000	\$ 37,444	\$ (2,556)
45,337	42,900	(2,437)	75,337	72,690	(2,647)
-	-	-	200	150	(50)
250	274	24	750	23,320	22,570
-	-	-	<u>3,835</u>	<u>5,226</u>	<u>1,391</u>
45,587	43,174	(2,413)	120,122	138,830	18,708
-	-	-	21,815	20,917	898
-	-	-	16,720	16,641	79
-	-	-	18,106	30,544	(12,438)
46,149	44,636	1,513	66,398	64,447	1,951
-	-	-	5,671	5,671	-
7,500	7,240	260	7,719	7,459	260
-	-	-	5,064	3,801	1,263
-	-	-	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<u>53,649</u>	<u>51,876</u>	<u>1,773</u>	<u>142,493</u>	<u>150,480</u>	<u>(7,987)</u>
(8,062)	(8,702)	(640)	(22,371)	(11,650)	10,721
-	10,158	10,158	49,000	10,158	(38,842)
-	-	-	(34,691)	(10,158)	24,533
-	-	-	-	<u>12,000</u>	<u>12,000</u>
-	<u>10,158</u>	<u>10,158</u>	<u>14,309</u>	<u>12,000</u>	<u>(2,309)</u>
<u>\$ (8,062)</u>	1,456	<u>\$ 9,518</u>	<u>\$ (8,062)</u>	350	<u>\$ 8,412</u>
	<u>11,187</u>			<u>66,152</u>	
	<u>\$ 12,643</u>			<u>\$ 66,502</u>	

VILLAGE OF WALKERVILLE

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Deficit) - All Proprietary Fund Types For the Year Ended February 29, 2004

	Enterprise Funds
Operating Income	
Fees	\$ 21,236
Taxes	<u>463</u>
Total Operating Income	21,699
Operating Expenses	
Salaries and Wages	4,134
Supplies	1,625
Utilities	113
Services - Operating	11,404
Professional Services	1,275
Insurance	442
Depreciation	<u>12,898</u>
Total Operating Expenses	<u>31,891</u>
Operating Income (Loss)	(10,192)
Nonoperating Income (Expenses)	
Interest on Assessments	6,136
Interest Income on Investments	2,956
Interest Expense	(12,480)
Other Expenses	<u>(1,525)</u>
Net Nonoperating Income (Expenses)	<u>(4,913)</u>
Net Income (Loss)	(15,105)
Add Back Depreciation on Assets Acquired with Contributed Capital	<u>11,156</u>
Increase (Decrease) in Retained Earnings	(3,949)
Retained Earnings (Deficit) - Beginning of Year	<u>34,125</u>
Retained Earnings (Deficit) - End of Year	<u>\$ 30,176</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF WALKERVILLE

Combined Statement of Cash Flows - All Proprietary Fund Types For the Year Ended February 29, 2004

	Enterprise <u>Funds</u>
Cash flows from operating activities:	
Operating Income	\$ (10,192)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	12,898
Decrease in Taxes Receivable	6,684
Increase in Accounts Receivable	(3,341)
Decrease in Prepaid Expenses	492
Increase in Due to Other Funds	4,157
Decrease in Accounts Payable	(3,802)
Decrease in Deferred Revenue	<u>(463)</u>
Net cash from operating activities	6,433
Cash flows from investing activities:	
Interest Income	9,092
Other Costs	<u>(1,525)</u>
Net Cash from investing activities	14,000
Cash flows from capital and related financing activities:	
Principal Payment on Long-Term Debt	(8,000)
Interest Payment on Long-Term Debt	(12,480)
Purchase of Fixed Assets	<u>(2,377)</u>
Net cash from capital and related financing activities	<u>(22,857)</u>
Net Increase in Cash	(8,857)
Cash - Beginning of Year	<u>126,688</u>
Cash - End of Year	<u><u>\$ 117,831</u></u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF WALKERVILLE

Notes to the Financial Statements

February 29, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Reporting Entity

In accordance with the provisions of the Governmental Accounting Standard's Board Statement #14, "The Financial Reporting Entity," the financial statements of the Village contain all the funds and account groups that are controlled by, or dependent on, the Village, including all activities considered by state law to be a part of the operations of the Village. Control by, or dependence on, the Village was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village, obligation of the Village to finance any deficits that may occur, receipt of significant subsidies from the Village, disposition of surplus funds, and scope of public service.

The Village, however, does have some authority in the Walkerville Area Fire and Rescue Department. The Department is a separate entity governed by its own board appointed by the local governments in the Department's vicinity. Funding also is received by the Department from the local governments which receive the services provided by the Department.

2. Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. (Major Street and Local Street Funds)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that (A) are financed and operated in a manner similar to private business enterprise -- where the intent of the governing body is that the costs (Expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. (Sewer Maintenance and Sewer Restricted Funds)

Account Groups

General Long-Term Debt Account Groups - This account group presents the balance of general obligation long-term debt.

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations.

3. Measurement Focus

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are excluded from General Fixed Assets as such items are immovable and of value only to the Village. No depreciation has been provided on general fixed assets.

Fixed assets are recorded at historical cost or estimated historical cost at acquisition. Donated fixed assets are valued at the fair market value as of the date received.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

4. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

Inventories are immaterial to the financial statements; therefore, no provision has been made in the modified accrual accounting method.

The accrual basis of accounting is used by the proprietary fund.

5. Budgets and Budgetary Accounting

The General Fund and Special Revenue Fund Types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not

Notes to the Financial Statements (Continued)

significantly different from the modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The budgets included in the financial statements have been amended by approval of the Council and are the final amended budget amounts.

The Budget Act, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year the following overexpenditures occurred:

<u>Activity</u>	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Local Street Fund			
Public Works	\$ 18,951	\$ 20,581	\$ (1,631)
General Fund			
Public Safety	18,106	30,544	(12,438)

6. Deficit Equity

The Village has an accumulated retained earnings deficit in the Proprietary Fund - Sewer Restricted Fund of \$14,421. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

7. Property Tax Recognition

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of September 14 before they are added to the county tax delinquent rolls. Tax is collected at 14.4160 mills.

8. Property and Equipment - Enterprise Fund

Property and equipment owned by the proprietary fund are stated at cost. Depreciation has been provided over the estimated useful lives of 5 to 50 years using the straight-line method. Depreciation in the Sewer Fund which is derived from fixed assets which have been acquired from Contributions in Aid of Construction is charged to the Contributed Capital accounts instead of the Retained Earnings.

9. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Total Column

The total column on the financial statements is captioned (Memo Only) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial

position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Legal Compliance/Violation of Finance Related Provision

The Municipal Finance Act, PA 202 of 1943, as amended, (MCL 131.1 through MCL 139.3) requires Treasury approval for all loans obtained by the Local Government. During the current fiscal year, the Village obtained a note to finance the purchase of a police car with out first receiving Department of Treasury approval.

NOTE B

CASH DEPOSITS

Legal or Contractual Provisions for Deposits and Investments. The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, states the Library by resolution, may authorize the Treasurer to invest surplus funds in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 81a-1 to 801-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i The purchase of securities on a when-issued or delayed delivery basis.
 - ii The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned
 - iii The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (ex Sess) PA 7, MCL 124.501 to 124.512.
- ii. Investment pools organized under the surplus funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Notes to the Financial Statements (Continued)

The Village funds are held at Westshore Bank and are carried at cost and consisted of the following:

	<u>Carrying Value</u>	<u>Market Value</u>
Demand Account - General	\$ 398	\$ 927
Demand Account - Sewer Maintenance	12	672
Demand Account - Sewer Assessment	15	15
Time Deposit - Major Streets	2,622	2,621
Time Deposit - Local Streets	63	63
CD - Local Streets	2,675	2,675
CD - Sewer Assessment	71,240	71,240
Money Market - General	48,457	48,457
Money Market - Sewer Maintenance	13,605	13,605
Money Market - Sewer Assessment	<u>32,959</u>	<u>32,959</u>
 Total Deposits	 <u>\$ 172,046</u>	 <u>\$ 173,234</u>
 FDIC Insured	 \$ 77,925	 \$ 78,213
Uninsured	-	-
Money Market Funds	95,021	95,021

Investments are normally categorized to give an indication of the level of risk assumed by the Village; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE C TAXES RECEIVABLE

The General Fund Taxes Receivable of \$9,974 represents real property taxes and represents interest on those taxes, returned to the County as delinquent at February 29, 2043.

The Sewer Restricted Fund Taxes Receivable of \$89,501 represents special assessment taxes billed to fund the repayment of the construction notes. Property owners may pay these taxes with interest over twenty-five years.

NOTE D TRANSFERS AND DUE TO/FROM OTHER FUNDS

The following are the interfund transfers during the year ended February 29, 2004:

<u>General Fund - Transfers Out</u>	
To Local Streets	<u>\$ 10,158</u>

The following are the interfund payables at year-end:

<u>Major Street Fund</u>	
Due to General Fund	\$ 15
<u>Sewer Assessment Fund</u>	
Due to Sewer Maintenance Fund	1,396
<u>Sewer Maintenance Fund</u>	
Due to Sewer Assessment Fund	2,785

Notes to the Financial Statements (Continued)

General Fund

Due to Sewer Assessment Fund	756
Due to Sewer Maintenance Fund	1,031
Due to Major Streets	<u>1,297</u>
	<u>\$ 7,280</u>

NOTE E ACCOUNTS RECEIVABLE

The following are the accounts receivable for the respective funds:

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Sewer Maintenance Fund</u>
Receivable From				
State of Michigan				
State Shared Revenue	\$ 4,913	\$ -	\$ -	\$ -
Act 51 - Transportation	-	4,812	1,306	-
Residents - Sewer Maintenance				
Sewer Maintenance Fees	-	-	-	3,233
New Hook-up Fees	-	-	-	<u>5,220</u>
	<u>\$ 4,913</u>	<u>\$ 4,812</u>	<u>\$ 1,306</u>	<u>\$ 8,453</u>

NOTE F CHANGES IN FIXED ASSETS

General Fixed Assets - General Fixed Assets have been acquired for general Village purposes and at the time the purchases were recorded as expenditures. The assets have been capitalized in the General Fixed Assets Group of Accounts. The General Fixed Asset records were compiled in prior years from estimates of historical cost at the time of acquisition. Following is a summary of changes in General Fixed Assets:

	<u>Total 02/28/03</u>	<u>2003 - 2003 Activity</u>		<u>Total 02/29/04</u>
		<u>Additions</u>	<u>Deletions</u>	
Land				
Cemetery	\$ 5,000	\$ -	\$ -	\$ 5,000
Youth Center	3,900	-	-	3,900
Village Park	12,547	-	-	12,547
Old Fire Barn	2,250	-	-	2,250
New Fire Barn	3,000	-	-	3,000
South E. Main	10,000	-	-	10,000
Pioneer House	1,200	-	-	1,200
Buildings				
Cemetery	3,000	-	-	3,000
Headstart Building	32,757	-	-	32,757
Old Fire Barn	57,710	-	-	57,710
New Fire Barn	184,286	-	-	184,286
Village Park	44,117	2,305	-	46,422
Pioneer House	11,834	-	-	11,834
Equipment				
DPW	15,755	-	-	15,755
Police Department	16,987	12,000	-	28,987
Furnace - Hall	1,884	-	-	1,884

Notes to the Financial Statements (Continued)

	Total 02/28/03	2003 - 2004 Activity		Total 02/29/04
		Additions	Deletions	
Miscellaneous	2,218	-	-	2,218
Copy Machines	1,519	1,470	-	2,989
Ornaments	<u>5,020</u>	<u>-</u>	<u>-</u>	<u>5,020</u>
Total Assets	<u>\$ 414,984</u>	<u>\$ 15,775</u>	<u>\$ -</u>	<u>\$ 430,759</u>

Proprietary Fund Fixed Assets - The following is a summary of proprietary fund fixed assets and accumulated depreciation at February 29, 2004:

	Total 02/28/03	Additions	Deletions	Total 02/29/04
Fixed Assets				
Land	\$ 21,888	\$ -	\$ -	\$ 21,888
Maining and Pumping Equipment	581,916	2,377	-	584,293
Equipment and Instruments	<u>184,176</u>	<u>-</u>	<u>-</u>	<u>184,176</u>
Total Fixed Assets	787,980	2,377	-	790,357
Accumulated Depreciation				
Maining and Pumping Equipment	137,020	11,650	-	148,670
Equipment and Instruments	<u>182,927</u>	<u>1,248</u>	<u>-</u>	<u>184,175</u>
Total Accumulated Depreciation	<u>319,947</u>	<u>12,898</u>	<u>-</u>	<u>332,845</u>
Net Book Value	<u>\$ 468,033</u>	<u>\$ (10,521)</u>	<u>\$ -</u>	<u>\$ 457,512</u>

NOTE G LONG-TERM DEBT

Michigan Municipal Bond Authority - The Village entered into a contract with the State on June 23, 1995, to borrow \$80,000 to be used for major street improvements. Interest is payable semi-annually on August 1 and February 1 at the rate of 6% until August 1, 2004 and then 6.5% for the remainder of the loan. Principal payments are due on August 1 with the final payment due August 1, 2009.

Annual requirements to amortize the outstanding bonds at February 29, 2004 are as follows, including interest payments of \$11,300.

Year	Michigan Municipal Bond Authority
2004-2005	\$ 7,250
2005-2006	6,950
2006-2007	6,625
2007-2008	6,300
2008-2009	5,975
Subsequent Years	<u>10,650</u>

Notes to the Financial Statements (Continued)

Total Principal and Interest	43,750
Less Interest	<u>8,750</u>
Total Principal	<u>\$ 35,000</u>

Westshore Bank - Police Car Loan - During 2003-2004, the village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$12,000 for the purchase of a new police car. The note is due in monthly payments of \$218.56 through February 3, 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 29, 2004 are as follows:

<u>Year</u>	<u>Westshore Bank</u>
2004-2005	\$ 2,622
2005-2006	2,622
2006-2007	2,622
2007-2008	2,622
2008-2009	<u>2,392</u>
Total Principal and Interest	12,880
Less Interest	<u>1,062</u>
Total Principal	<u>\$ 11,818</u>

The following is a summary of General Long-Term Debt transactions for the year:

	<u>Michigan Municipal Bond Authority</u>	<u>Westshore Bank</u>	<u>Total</u>
Debt Payable - Beginning	\$ 40,000	\$ -	\$ 40,000
Debt Proceeds	-	12,000	12,000
Debt Retired	<u>(5,000)</u>	<u>(182)</u>	<u>(5,182)</u>
Debt Payable - End of Year	<u>\$ 35,000</u>	<u>\$ 11,818</u>	<u>\$ 46,818</u>

Rural Economic and Community Development - The Village Sewer Fund entered into a contract with the U.S. Department of Agriculture on September 13, 1989 to borrow \$275,000 to be used to finance the construction of a sewer project. Interest is payable at the rate of 6.0% with the final payment due in 2019. Following is a schedule of the minimum payments due as of February 29, 2004, including interest payments of \$112,380.

<u>Year</u>	<u>Amount</u>
2004-2005	\$ 20,000
2005-2006	19,520
2006-2007	20,010
2007-2008	19,470
2008-2009	20,200
Subsequent Years	<u>204,462</u>

Notes to the Financial Statements (Continued)

Total Principal and Interest	303,662
Less Interest	<u>99,900</u>
Total Principal	\$ 203,762

NOTE H CONTRIBUTED CAPITAL

During the year, contributed capital decreased by the following amount:

Depreciation (portion for assets purchased with contributed capital)	\$ 11,156
Contributed Capital, March 1	<u>445,337</u>
Contributed Capital, February 29	<u>\$ 434,181</u>

NOTE I CASH FLOWS

Cash paid for interest by the Village for the Proprietary Fund was \$12,480, which equals the interest expense and the total interest incurred for the year.

NOTE J RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

VILLAGE OF WALKERVILLE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 40,000	\$ 37,444	\$ (2,556)
State Shared Revenue and Other Grants	30,000	29,790	(210)
Charge for Services	200	150	(50)
Cemetery	1,450	1,450	-
Interest	500	643	143
Rents	-	22,108	22,108
Refunds and Reimbursements	1,360	1,363	3
United Way	1,000	1,827	827
Penalty and Interest on Taxes	-	295	295
Miscellaneous	-	561	561
Business Licenses & Permits	<u>25</u>	<u>25</u>	<u>-</u>
Total Revenues	74,535	95,656	21,121
Expenditures			
Legislative			
Village Council			
Salaries		3,695	
Professional Services		4,871	
Promotions		1,862	
Insurance		9,074	
Miscellaneous		<u>624</u>	
		20,126	
Youth Club			
Salaries		116	
Services		137	
Utilities		<u>538</u>	
		<u>791</u>	
Total Legislative	\$ 21,815	\$ 20,917	\$ 898

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Government			
Elections			
Supplies		\$ 233	
Printing and Publishing		177	
Services		<u>55</u>	
	\$ 500	465	\$ 35
Clerk/Assessor			
Salaries		4,946	
Services		<u>1,140</u>	
	6,037	6,086	(49)
Treasurer			
Salaries		2,185	
Supplies		<u>312</u>	
	2,472	2,497	(25)
Cemetery			
Salaries		1,728	
Supplies		395	
Services		135	
Printing and Publishing		26	
Utilities		<u>143</u>	
	2,529	2,427	102
Office			
Supplies		1,429	
Utilities		1,727	
Services		540	
Capital Outlay		<u>1,470</u>	
	<u>5,182</u>	<u>5,166</u>	<u>16</u>
Total General Government	16,720	16,641	79
Public Safety			
Police Department			
Salaries		16,749	
Supplies and Services		1,795	
Capital Outlay		<u>12,000</u>	
Total Public Safety	\$ 18,106	\$ 30,544	\$ (12,438)

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Public Works			
Refuse Collection Services	\$ 2,917	\$ 2,842	\$ 75
Street Lighting Utilities	4,600	4,220	380
Department of Public Works			
Salaries		4,371	
Supplies		6,512	
Services		171	
Utilities		1,579	
Community Promotion		<u>116</u>	
	<u>12,732</u>	<u>12,749</u>	<u>(17)</u>
Total Public Works	20,249	19,811	438
Recreation and Culture			
Park			
Salaries		4,012	
Supplies		68	
Capital Outlay		1,385	
Utilities		<u>206</u>	
Total Recreation and Culture	5,671	5,671	-
Debt Service			
Principal		183	
Interest		<u>36</u>	
Total Debt Service	219	219	-
Unallocated			
Fringe Benefits Including Penalties and Interest	4,064	3,801	1,263
Other Functions			
United Way			
Supplies		80	
Capital Outlay		<u>920</u>	
Total Other Functions	1,000	1,000	-
Total Expenditures	<u>\$ 88,844</u>	<u>\$ 98,604</u>	<u>\$ (9,760)</u>

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget to Actual - General Fund
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Excess Revenues Over (Under) Expenditures	\$ (14,309)	\$ (2,948)	\$ (11,361)
Other Financing Sources (Uses)			
Operating Transfers In	49,000	-	(49,000)
Operating Transfers Out	(34,691)	(10,158)	24,533
Proceeds from Long-Term Debt	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Total Other Financing Sources (Uses)	<u>14,309</u>	<u>1,842</u>	<u>(12,467)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>(1,106)</u>	<u>\$ (1,106)</u>
Fund Balance - Beginning of Year		<u>54,965</u>	
Fund Balance - End of Year		<u>\$ 53,859</u>	

VILLAGE OF WALKERVILLE

Combining Balance Sheet Special Revenue Funds February 29, 2004

	Major Street <u>Fund</u>	Local Street <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 2,622	\$ 2,738	\$ 5,360
Accounts Receivable	4,812	1,306	6,118
Due from Other Funds	<u>1,296</u>	<u>-</u>	<u>1,296</u>
Total Assets	<u>\$ 8,730</u>	<u>\$ 4,044</u>	<u>\$ 12,774</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 15	\$ -	\$ 15
Wages Payable	<u>81</u>	<u>35</u>	<u>116</u>
Total Liabilities	96	35	131
Fund Balance	<u>8,634</u>	<u>4,009</u>	<u>12,643</u>
Total Liabilities and Fund Balance	<u>\$ 8,730</u>	<u>\$ 4,044</u>	<u>\$ 12,774</u>

VILLAGE OF WALKERVILLE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds For the Year Ended February 29, 2004

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
Revenues			
State Shared Revenue	\$ 33,889	\$ 9,011	\$ 42,900
Interest Earned	<u>74</u>	<u>200</u>	<u>274</u>
Total Revenues	33,963	9,211	43,174
Expenditures			
Public Works			
Routine Maintenance	13,552	12,602	26,154
Winter Maintenance	9,736	7,225	16,961
Administration	<u>766</u>	<u>755</u>	<u>1,521</u>
Total Public Works	24,054	20,582	44,636
Debt Service			
Principal	5,000	-	5,000
Interest	<u>2,240</u>	<u>-</u>	<u>2,240</u>
Total Debt Service	<u>7,240</u>	<u>-</u>	<u>7,240</u>
Total Expenditures	<u>31,294</u>	<u>20,582</u>	<u>51,876</u>
Excess Revenues Over (Under) Expenditures	2,669	(11,371)	(8,702)
Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>10,158</u>	<u>10,158</u>
Excess Revenues Over (Under) Expenditures	2,669	(1,213)	1,456
Fund Balance - Beginning of Year	<u>5,965</u>	<u>5,222</u>	<u>11,187</u>
Fund Balance - End of Year	<u>\$ 8,634</u>	<u>\$ 4,009</u>	<u>\$ 12,643</u>

VILLAGE OF WALKERVILLE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 34,498	\$ 33,889	\$ (609)
Interest	<u>200</u>	<u>74</u>	<u>(126)</u>
Total Revenues	34,698	33,963	(735)
Expenditures			
Public Works			
Routine Maintenance		13,552	
Winter Maintenance		9,736	
Administration	<u> </u>	<u>766</u>	<u> </u>
Total Public Works	27,198	24,054	3,144
Debt Service			
Principal		5,000	
Interest		<u>2,240</u>	
Total Debt Service	<u>7,500</u>	<u>7,240</u>	<u>260</u>
Total Expenditures	<u>34,698</u>	<u>31,294</u>	<u>3,404</u>
Excess Revenues Over (Under) Expenditures	-	2,669	2,669
Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	2,669	<u>\$ 2,669</u>
Fund Balance - Beginning of Year		<u>5,965</u>	
Fund Balance - End of Year		<u>\$ 8,634</u>	

VILLAGE OF WALKERVILLE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 10,839	\$ 9,011	\$ (1,828)
Interest Earned	<u>50</u>	<u>200</u>	<u>150</u>
Total Revenues	10,889	9,211	(1,678)
Expenditures			
Public Works			
Routine Maintenance		12,602	
Winter Maintenance		7,225	
Administration		<u>755</u>	
Total Expenditures	<u>18,951</u>	<u>20,582</u>	<u>(1,631)</u>
Excess Revenues Over (Under) Expenditures	(8,062)	(11,371)	(3,309)
Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>10,158</u>	<u>10,158</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (8,062)</u>	(1,213)	<u>\$ 6,849</u>
Fund Balance - Beginning of Year		<u>5,222</u>	
Fund Balance - End of Year		<u>\$ 4,009</u>	

VILLAGE OF WALKERVILLE

Combining Balance Sheet Proprietary Funds February 29, 2004

	<u>Enterprise Funds</u>		
	Sewer Maintenance <u>Fund</u>	Sewer Restricted <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 13,617	\$ -	\$ 13,617
Taxes Receivable	-	89,501	89,501
Due from Other Funds	2,427	3,542	5,969
Accounts Receivable	8,453	-	8,453
Prepaid Insurance	125	-	125
Restricted Cash	-	104,214	104,214
Land, Buildings and Equipment	790,357	-	790,357
Less Accumulated Depreciation	<u>(332,845)</u>	<u>-</u>	<u>(332,845)</u>
Total Assets	<u>\$ 482,134</u>	<u>\$ 197,257</u>	<u>\$ 679,391</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	\$ 660	\$ -	\$ 660
Due To Other Funds	2,785	1,396	4,181
Wages Payable	251	-	251
Notes Payable	-	203,762	203,762
Deferred Revenue	<u>-</u>	<u>6,180</u>	<u>6,180</u>
Total Liabilities	3,696	211,338	215,034
Equity			
Contributed Capital	434,181	-	434,181
Retained Earnings	<u>44,257</u>	<u>(14,081)</u>	<u>30,176</u>
Total Fund Equity	<u>478,438</u>	<u>(14,081)</u>	<u>464,357</u>
Total Liabilities and Fund Equity	<u>\$ 482,134</u>	<u>\$ 197,257</u>	<u>\$ 679,391</u>

VILLAGE OF WALKERVILLE

Combining Statement of Revenues, Expenditures, and Changes in Retained Earnings - Proprietary Funds For the Year Ended February 29, 2004

	Enterprise Funds		
	Sewer Maintenance Fund	Sewer Restricted Fund	Totals
Operating Income			
Fees	\$ 18,451	\$ 2,785	\$ 21,236
Taxes	<u>-</u>	<u>463</u>	<u>463</u>
Total Operating Income	18,451	3,248	21,699
Operating Expenses			
Salaries and Wages	4,134	-	4,134
Supplies	1,625	-	1,625
Utilities	113	-	113
Services - Operating	11,404	-	11,404
Professional Services	1,275	-	1,275
Insurance	442	-	442
Depreciation	<u>12,898</u>	<u>-</u>	<u>12,898</u>
Total Operating Expenses	<u>31,891</u>	<u>-</u>	<u>31,891</u>
Operating Income (Loss)	(13,440)	3,248	(10,192)
Non-Operating Revenues (Expenses)			
Interest on Assessments	-	6,136	6,136
Interest Income on Investments	574	2,382	2,956
Interest Expense	-	(12,480)	(12,480)
Other Expenses	<u>-</u>	<u>(1,525)</u>	<u>(1,525)</u>
Net Non-Operating Revenues (Expenses)	<u>574</u>	<u>(5,487)</u>	<u>(4,913)</u>
Net Income (Loss)	(12,866)	(2,239)	(15,105)
Add Back Depreciation on Assets Acquired with Contributed Capital	<u>11,156</u>	<u>-</u>	<u>11,156</u>
Increase (Decrease) in Retained Earnings	(1,710)	(2,239)	(3,949)
Retained Earnings (Deficit) - Beginning of Year	<u>45,967</u>	<u>(11,842)</u>	<u>34,125</u>
Retained Earnings (Deficit) - End of Year	<u>\$ 44,257</u>	<u>\$ (14,081)</u>	<u>\$ 30,176</u>

VILLAGE OF WALKERVILLE

Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Maintenance Fund For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ 23,000	\$ 18,451	\$ (4,549)
Operating Expenses			
Salaries and Wages	4,266	4,134	132
Supplies	4,003	1,625	2,378
Utilities	113	113	-
Services - Operating	15,795	11,404	4,391
Professional Services	1,275	1,275	-
Insurance	250	442	(192)
Depreciation	<u>-</u>	<u>12,898</u>	<u>(12,898)</u>
Total Operating Expenses	<u>25,702</u>	<u>31,891</u>	<u>(6,189)</u>
Operating Income (Loss)	(2,702)	(13,440)	(10,738)
Non-Operating Revenues (Expenses)			
Interest Income	496	574	78
Transfer Out	<u>(2,675)</u>	<u>-</u>	<u>2,675</u>
Net Non-Operating Revenues (Expenses)	<u>(2,179)</u>	<u>574</u>	<u>2,753</u>
Net Income (Loss)	<u>\$ (4,881)</u>	(12,866)	<u>\$ (7,985)</u>
Add Back Depreciation on Assets Acquired with Contributed Capital		<u>11,156</u>	
Increase (Decrease) in Retained Earnings		(1,710)	
Retained Earnings (Deficit) - Beginning of Year		<u>45,967</u>	
Retained Earnings (Deficit) - End of Year		<u>\$ 44,257</u>	

VILLAGE OF WALKERVILLE

Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Restricted Fund For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ -	\$ 2,785	\$ 2,785
Taxes	<u>7,988</u>	<u>463</u>	<u>(7,525)</u>
Total Operating Income	7,988	3,248	(4,740)
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	7,988	3,248	(4,740)
Non-Operating Revenues (Expenses)			
Interest on Assessments	8,000	6,136	(1,864)
Interest Income on Investments	1,000	2,382	1,382
Transfers In	3,000	-	(3,000)
Interest Expense	(20,480)	(12,480)	8,000
Other Expenses	<u>(1,275)</u>	<u>(1,525)</u>	<u>(250)</u>
Net Non-Operating Revenues (Expenses)	<u>(9,755)</u>	<u>(5,487)</u>	<u>4,268</u>
Net Income (Loss)	<u>\$ (1,767)</u>	(2,239)	<u>\$ (472)</u>
Retained Earnings (Deficit) - Beginning of Year		<u>(11,842)</u>	
Retained Earnings (Deficit) - End of Year		<u>\$ (14,081)</u>	

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Walkerville, Michigan

We have audited the general purpose financial statements of Village of Walkerville, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated June 6, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Walkerville, Michigan's general purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Walkerville, Michigan, in a separate letter dated June 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Walkerville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general

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purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Walkerville, Michigan, in a separate letter dated June 15, 2004.)

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities.

Hendon & Slate, P.C.
Hendon & Slate, P.C.
Fremont, Michigan
June 6, 2004